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UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF MISSISSIPPI

Cochran U.S. Bankruptcy Courthouse
703 Highway 145 North
Aberdeen, MS 39730
Telephone: 662-369-2596

COMMISSION
CLERK

060000

In Re: Long Distance Billing Service, Inc.
Debtor(s)

Case No.: 05-11168
Chapter: 11
Judge: David W. Houston III

CMP _____
COM _____
CTR _____
ECR _____
GCL _____
OPC _____
RCA _____
SCR _____
SGA _____
SEC 1
OTH Grant

NOTICE OF HEARING ON DISCLOSURE STATEMENT

NOTICE is hereby given that a hearing will be held at

Greenville Federal Building, Greenville, MS

at 02:00 PM

on 5/9/06

OBJECTIONS DUE: 5/1/06

to consider and act upon the following:

160 - Disclosure Statement Filed by Craig M. Geno on behalf of Long Distance
Billing Service, Inc. (Attachments: # (1) Exhibit Exhibits A - C)(Entered on Docket
by: Geno, Craig)

Should any party receiving this notice respond or object to said Disclosure
Statement such response or objection is required to be filed with the Clerk of this court and served
on the attorney for movant, debtor(s), trustee (if any), the U.S. Trustee, and any committee
appointed under the Code on or before said objection due date. If any objection or response is
filed, a hearing will be held on the above mentioned date; otherwise, the Court may consider said
Disclosure Statement immediately after the objection or response due date.

A copy of the Disclosure Statement is required to be served pursuant to Rule 3017,
F.R.Bk.P. THE MOVING PARTY'S ATTORNEY IS REQUIRED BY STANDING ORDER
ATTACHED HERETO TO PERFORM NOTICING AS TO SAID DISCLOSURE
STATEMENT ACCORDING TO THE TERMS OF SAID STANDING ORDER.

Dated: 3/27/06

David J. Puddister
Clerk, U.S. Bankruptcy Court
BY: Janet Hodges
Deputy Clerk

DOCUMENT NUMBER-DATE

02934 APR-3 8

FPSC-COMMISSION CLERK

IN THE UNITED STATES BANKRUPTCY COURT
FOR NORTHERN DISTRICT OF MISSISSIPPI

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PROPOSED BY LONG DISTANCE BILLING SERVICES, INC.

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ATTN: Craig M. Geno, Esq. – MSB No. 4793
Counsel to Long Distance Billing Services, Inc.

Dated: March 23, 2006
Ridgeland, Mississippi

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IN THE UNITED STATES BANKRUPTCY COURT
FOR NORTHERN DISTRICT OF MISSISSIPPI

IN RE: LONG DISTANCE BILLING SERVICES, INC. CHAPTER 11
Debtor CASE NO. 05-11168

ARTICLE I
INTRODUCTION

Long Distance Billing Services, Inc. ("LDBS", the "Debtor" or the "Company") submits this Disclosure Statement regarding its Plan of Reorganization (the "Disclosure Statement") in the Chapter 11 Case of LDBS pursuant to Bankruptcy Code Section 1125 to the creditors and shareholders of LDBS, Debtor and Debtor-in-Possession, in connection with the solicitation of acceptances of its Plan of Reorganization, dated March 23, 2006, as the same may be amended from time to time (the "Plan"), filed with the United States Bankruptcy Court for the Northern District of Mississippi (the "Court").¹ Consistent with the Order approving the Disclosure Statement, copies of the Disclosure Statement and the Plan of Reorganization were filed and served on or about _____, 2006.

LDBS provides this Disclosure Statement to all of the known creditors and shareholders in this Chapter 11 Case in order to disclose adequate information for such creditors and shareholders to arrive at a reasonably informed decision in exercising their respective rights, if any, to vote for acceptance of the Plan. In addition, this Disclosure Statement will also be provided to all of the known creditors in the separate Chapter 11 case of ezTel, LLC ("ezTel"). LDBS shall be substantively consolidated into, and with, ezTel.

¹Unless otherwise defined herein, all capitalized terms contained in this Disclosure Statement shall have the meanings assigned to such terms in the Plan.

EACH CREDITOR AND SHAREHOLDER ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN SHOULD READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE CASTING A BALLOT. IN ORDER TO HAVE YOUR VOTE COUNTED, YOU MUST COMPLETE AND MAIL THE ENCLOSED BALLOT TO THE ADDRESS SET FORTH THEREON SO THAT IT IS RECEIVED BY _____, M. CENTRAL DAYLIGHT SAVINGS TIME ON _____, 2006 (THE "VOTING DEADLINE"). YOU MUST COMPLETE THE BALLOT AND INDICATE EITHER YOUR ACCEPTANCE OR REJECTION OF THE PLAN. ANY COMPLETED BALLOTS THAT ARE RECEIVED PRIOR TO THE VOTING DEADLINE THAT DO NOT INDICATE EITHER AN ACCEPTANCE OR A REJECTION OF THE PLAN MAY BE DEEMED TO CONSTITUTE AN ACCEPTANCE.

ALL CREDITORS AND SHAREHOLDERS ARE HEREBY ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT IN ITS ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, OTHER EXHIBITS HERETO AND OTHER DOCUMENTS REFERENCED AS FILED WITH THE COURT BEFORE OR CONCURRENTLY WITH THE FILING OF THIS DISCLOSURE STATEMENT. AFTER THE DATE HEREOF, NO ASSURANCE CAN BE GIVEN THAT (A) THE INFORMATION AND REPRESENTATIONS CONTAINED HEREIN ARE MATERIALLY ACCURATE; OR (B) THIS DISCLOSURE STATEMENT CONTAINS ALL MATERIAL INFORMATION.

THE CONFIRMATION AND CONSUMMATION OF THE PLAN ARE SUBJECT TO THE CONDITIONS PRECEDENT THAT COULD LEAD TO DELAYS IN CONSUMMATION OF THE PLAN. ALSO, NO ASSURANCE CAN BE GIVEN THAT EACH OF THESE CONDITIONS WILL BE SATISFIED OR WAIVED (AS PROVIDED IN THE PLAN) OR THAT THE PLAN WILL BE CONSUMMATED. IN ADDITION, EVEN AFTER THE EFFECTIVE DATE, DISTRIBUTIONS UNDER THE PLAN MAY BE SUBJECT TO SUBSTANTIAL DELAYS FOR CREDITORS WHOSE CLAIMS ARE DISPUTED.

This Disclosure Statement has been prepared by, and is submitted by and on behalf of, LDBS, as Proponent, and must be approved by the Court, after notice and a hearing, prior to the solicitation of acceptances for the Plan.

HOWEVER, APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A DETERMINATION BY THE COURT AS TO THE FAIRNESS OR THE MERITS OF THE PLAN.

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ARTICLE III.

OVERVIEW OF PLAN

LDBS incorporates the provisions of Article III of the ezTel Third Amended Disclosure Statement herein by reference.

ARTICLE IV.

GENERAL INFORMATION ABOUT THE DEBTOR

A. The Debtor's History and Background.

LDBS incorporates the provisions of Section A. - The Debtor's History and Background of the ezTel Third Amended Disclosure Statement herein by reference.

B. Significant Developments in the Chapter 11 Case.

Since LDBS has operated as, technically, a separate Chapter 11 case, a brief discussion of significant developments in it is appropriate at this point.

Shortly after the LDBS petition was filed, NS8 Corporation ("NS8"), a pre-petition secured creditor of LDBS, initiated proceedings designed to obtain relief from the automatic stay and/or to prohibit LDBS' use of cash collateral herein. The motion was resolved by a separate order of the Court, a copy of which is attached, incorporated by reference and marked as Exhibit "A." The NS8 claim has been assigned, but there remains a balance owing under it of over \$200,000.00, plus interest.

The Court entered an order requiring LDBS to file a Disclosure Statement and Plan of Reorganization on or before March 23, 2006, or face conversion to Chapter 7.

LDBS incorporates the remaining provisions of B. - Significant Developments in the Chapter 11 Case of the ezTel Third Amended Disclosure Statement herein by reference.

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The information contained in this Disclosure Statement was collected from the public files in this Chapter 11 case and, in some instances, was provided by the Debtor's management and is made as of the date hereof, unless another time is specified. Neither the delivery of this Disclosure Statement, nor any exchange of rights and information made in connection herewith, nor any act in reliance hereon, should create under any circumstances an implication that there has not been a change in the facts underlying the statements set forth herein.

No representations concerning the Debtor, the extent of its liabilities, the value of its properties and assets, or the value of any distributions offered to holders of Claims in connection with the Plan are authorized except as specifically denominated in this Disclosure Statement.

LDBS BELIEVES THAT THE PLAN OFFERS THE BEST POSSIBLE RECOVERIES TO CREDITORS COMPARED TO ALL REASONABLY AVAILABLE ALTERNATIVES UNDER THE CIRCUMSTANCES OF THIS CASE. LDBS, THEREFORE, BELIEVES THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF EACH AND EVERY VOTING CLASS AND STRONGLY RECOMMENDS THAT YOU VOTE TO ACCEPT THE PLAN.

This Disclosure Statement may not be relied on for any purpose other than to determine how to vote on the Plan, and nothing contained herein shall constitute an admission or stipulation of any fact or liability, or any other party, or be deemed to be advice on the tax or other legal effects of the Plan.

ARTICLE II.

EXPLANATION OF CHAPTER 11 AND PLAN CONFIRMATION

LDBS incorporates the provisions of Article II of the ezTel Third Amended Disclosure Statement herein by reference.

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C. The Chapter 11 Reorganization and its Significant Events.

LDBS incorporates the provisions of C. The Chapter 11 Reorganization and its Significant Events of the ezTel Third Amended Disclosure Statement herein by reference.

D. Pending Transactions.

LDBS incorporates the provisions of D. Pending Transactions of the ezTel Third Amended Disclosure Statement herein by reference.

ARTICLE V.

A. Assets of the Debtor.

The Debtor's assets are indicated, to an extent, on its Schedules, copies of which are attached as Exhibit "2" to the Third Amended Disclosure Statement of ezTel and are incorporated herein by reference. The Debtor's assets that are stated on a more current basis are contained within the recent monthly operating reports, excerpts of which are attached hereto as Exhibit "B" and incorporated herein by reference.

B. Liabilities of the Debtor.

The Debtor's liabilities are indicated, to an extent, on its Schedules, copies of which are attached as Exhibit "4" to the Third Amended Disclosure Statement of ezTel and are incorporated herein by reference. The Debtor's liabilities that are stated on a more current basis are contained within the recent Monthly Operating Reports, excerpts of which are attached hereto as Exhibit "C" and incorporated herein by reference.

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ARTICLE VI.

THE PLAN OF REORGANIZATION

A. Classification and Treatment of Claims

The Plan divides the Claims against and Interests in the Debtor into various classes pursuant to Bankruptcy Code Section 1122. Set forth below is a description of the general classes of Claims against and Interests in the Debtor and their treatment under the Plan. A Claim or Interest is classified in a particular class only to the extent that the Claim or Interest qualifies within the description of the class and is classified in a different class to the extent that the Claim or Interest qualifies within the description of that different class.

1. Administrative Expense Claims (Class 1).

Class 1 under the Plan consists of claims held by all creditors extending open account and unsecured credit for goods and services to the Debtor following the Petition Date. It also consists of the fees and expenses of professionals, such as lawyers and accountants, and all fees and charges assessed against the Debtor under Title 28 of the United States Code. All requests for Administrative Expense Claims must be timely filed and served by the Administrative Expense Bar Date (which may be set by a future order of the Court, if needed), including fee applications by professionals.

The fees and expenses of the professionals include all actual and necessary fees and expenses of all professionals, including the attorneys and accountants for the Debtor. The Debtor is unaware of any other professionals who assert or will assert Administrative Expense Claims for professional fees and related expenses. The compensation of professionals is subject to approval by the Court and, thus, the timing of payments for compensation for services rendered and reimbursement of expenses will be

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to any credits resulting from either the Annual True-up or from amended revenue reports.

Similarly, the post-petition, administrative expense claims of the Internal Revenue Service, Mississippi State Tax Commission and various state taxing agencies for principal tax claims, plus interest, shall also be paid on the Effective Date upon allowance of said claims by separate Order of the Court. Moreover, these same administrative expense claims of these same creditors, as against ezTel and the Debtor, shall also be paid, in the same amount and manner, on the Effective Date upon allowance of said claim by separate order of the Court.

Thus, on the Effective Date or as soon as reasonably practicable thereafter, each holder of an Allowed Administrative Expense Claim shall receive from ezTel and the Debtor the full amount of its Allowed Administrative Expense Claim, in cash, unless otherwise agreed upon between such holder and the Debtor; provided, however, that (i) Allowed Administrative Expense Claims pursuant to Bankruptcy Code Sections 330, 331 and 503(b) shall be paid, in cash, by the Debtor, within five Business Days of allowance by Final Order in such amounts approved by the Court; (ii) Allowed Administrative Expense Claims that become due on a date later than the Effective Date in the ordinary course of the Debtor's business shall be paid, in full, in cash, on such later date by the Debtor; and (iii) no penalties shall be awarded or paid to administrative expense claimants.

This treatment of Class 1 creditors renders their Claims unimpaired and such holders are deemed to have accepted the Plan.

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made as authorized and allowed by the Court.

The Debtor will review the Administrative Expense Claims filed by professionals.

The Administrative Expense Claims of USAC, as against ezTel and the Debtor, are included within the Class 1 claims and they will be paid in full, in cash, upon allowance thereof by Order of the Court. In April of each year, USAC conducts an annual "true up" of the revenue reported by ezTel and the Debtor during the prior year. Specifically, USAC compares annual revenue reported by ezTel and the Debtor to the previously reported quarterly revenue covering the same period (the "Annual True-up"). In the event that ezTel's and the Debtor's reported annual revenues are lower than the revenues reported previously for that year, USAC issues Annual True-up credits to ezTel and the Debtor. Alternatively, if ezTel's and the Debtor's reported annual revenues are higher than reported previously, USAC issues Annual True-up adjustments. These Annual True-up credits or adjustments appear in three equal amounts on the July, August and September invoices of that subsequent year. As a result of the Annual True-up, the final amount of USAC's administrative claim will necessarily change post-confirmation. Further, ezTel and the Debtor are entitled to amend previously-filed revenue reports. USAC asserts these amendments must be made within a limited period of time. ezTel and the Debtor believe the time to amend remains open. Amended revenue reports may also result in either adjustments or credits to ezTel's and the Debtor's invoices and, as such, alter USAC's administrative claim amount post-confirmation.

In order to ensure full payment of all of USAC's Administrative Claims, Purchaser A or B shall be fully responsible for any and all post-confirmation adjustments based on either a post-confirmation Annual True-up or post-confirmation amended revenue reports. Purchaser A or B shall also be entitled

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2. Priority Claims (Class 2).

Class 2 under the Plan contains all Priority Tax Claims. "Priority Tax Claims" consists of those Claims, which, if allowed, are entitled to priority in right of payment under Bankruptcy Code Section 507(a)(8).

On the Effective Date, or as soon as reasonably practicable thereafter, each holder of an Allowed Priority Tax Claim shall receive from ezTel and the Debtor deferred cash payments as required by the Bankruptcy Code so as to pay the principal and interest portion of such claims in full within seventy-two (72) months from the Effective Date.

This treatment of these creditors renders their Claims unimpaired and such holders are deemed to have accepted the Plan. Interest shall be calculated at the fluctuating rate established by the Internal Revenue Service in connection with payment of all priority claims. To the extent priority tax claims (and administrative tax claims for that matter) are actually claims that "belong" to customers of ezTel and the Debtor, those claims will also be paid over the same 72-month period by offsetting the claims that are owed to customers "against" obligations those customers owe to ezTel and the Debtor.

3. The Administrative Expense (and other) Claims of Qwest (Class 3).

As previously noted, the claim of Qwest have been settled and compromised by an order of the Court which has now become final and non-appealable, a copy of which has been previously marked as Exhibit "B" to the Amended Disclosure Statement of ezTel. The terms, conditions and provisions of Exhibit "B" are incorporated by reference. The treatment of the claims of Qwest are as outlined in Exhibit "B". Qwest is an impaired creditor.

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4. The Administrative Expense (and other) Claims of Affine (Class 4).

As previously noted, the claims of Affine have been settled and compromised, as evidenced by the Motion previously marked as Exhibit "C" to the Amended Disclosure Statement of ezTel. The Court entered an Order approving the Affine/ezTel settlement, a copy of which has previously been marked as Exhibit "D" to the Amended Disclosure Statement of ezTel; however, WiITel has appealed that Order to the District Court, where it remains pending. The terms, conditions and provisions of Exhibit "D" are incorporated by reference. The treatment of the claims of Affine is as outlined in Exhibit "D", but cannot be effectuated until all appeals are resolved.

The Claims of Affine are impaired.

5. The Secured Claims of WiITel (Class 5).

WiITel, is owed, post-petition, secured claims that are at least \$500,000.00 (as estimated by ezTel and the Debtor) and that are at least \$1,000,000.00 (as estimated by WiITel).

The contractual agreement by and between WiITel and ezTel shall be assumed by Purchaser A or B (as the case may be). WiITel shall continue to hold a security interest in the accounts receivable generated by ezTel that arise out of the sale of wholesale goods and services to ezTel by WiITel. EzTel and WiITel will continue to negotiate through the disputed charges that exist and, once either an agreement is reached as to the balance owed, or the balance owed is determined by the Bankruptcy Court, if ezTel and WiITel are unable to agree upon the amount due, the unpaid, post-petition, secured claims of WiITel will thereupon be "fixed." In order to satisfy what will then be the unpaid, post-petition allowed secured claims, ezTel will pay WiITel according to the terms and conditions of the Order of April 18, 2005, which affords WiITel the status of a secured creditor. The "lump sum"

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Class 7 creditors will receive all remaining proceeds of the purchase price of \$3,500,000.00, after payment of administrative expense claims, secured claims and priority claims that are to be paid from the cash purchase price, upon the effective date of the plan. The remaining unpaid claims of Class 7 creditors, if any, shall be discharged.

8. Interests (Class 8).

Class 8 consists of all interests. Upon the entry of a final, non appealable order approving the Plan, all interests, membership certificates, evidences of ownership and equity held in and to the debtor shall be canceled.

As noted, some amounts of stock in the entity or entities that survive these Chapter 11 cases shall be issued to insiders, employees, suppliers of business, agents and representatives of the existing Debtors. The persons to receive said stock, and the amounts thereof, remain works in process and will probably not be resolved until plan confirmation time. However, none of the future shareholders will be paid, or will receive, stock in the surviving entity or entities on account of their current equity interests.

B. Means of Implementation.

1. Transactions.

Pursuant to the Plan, the following transactions shall be deemed to occur in the following order on the Effective Date and shall occur substantially contemporaneously.

a. **Substantive Consolidation.** All assets and liabilities of the Debtor, and all remaining Chapter 11 affiliates (including LDBS) shall be substantively consolidated in/c, and with, ezTel. Pre-petition priority claims shall be substantively consolidated and will be paid within seventy-two (72) months of the Effective Date. Accordingly, (i) all Intercompany Claims shall be canceled and

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payments due WiITel under the April 18, 2005, Order will be made, in part, from the purchase price to be paid by Purchaser A or B.

The post-petition, secured claims of WiITel are impaired.

6. The Former Secured Claims of NS8 Corporation ("NS8").

The secured claims of NS8 were resolved and compromised pursuant to an Agreed Order entered into by and between the Debtor and NS8 in the course of administration in the LDBS case. As indicated earlier herein, a copy of the Agreed Order is attached, incorporated by reference and marked as Exhibit "A" hereto. The claims of NS8 have been assigned, and they are approximately \$200,000.00, plus interest from early 2005.

In order to satisfy this claim, Purchaser A or B may elect to pay the claim in full, in cash, at closing or alternatively, Purchaser A or B may elect to amortize the claim over a 48-month period, to bear interest at eight percent (8%) per annum, payable in monthly installments beginning upon the effective date of the Plan and concluding on the 48th month thereafter.

These claims, secured by assets of LDBS, are fully secured. This Class is impaired.

7. General Unsecured Claims (Class 7).

Class 7 under the Plan consists of Claims held by the general unsecured creditors of ezTel and the Debtor.

By virtue of the substantive consolidation of the Debtor, its affiliates, and LDBS, as enumerated in prior sections of this Disclosure Statement and the Plan, each general unsecured claim asserted by the same holder against different entities, that are now consolidated as one debtor, will become one claim against one entity.

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no distributions shall be made on account thereof; (ii) all assets and all liabilities of the Debtor and the remaining Chapter 11 affiliates shall be merged into and treated as the assets and liabilities of the Debtor; (iii) all guarantees of any Debtor or Chapter 11 affiliate of the payment, performance or collection of obligations of another Debtor shall be eliminated and canceled; (iv) any obligation of the Debtor and all guarantees thereof executed by one or more of the other Chapter 11 affiliates shall be treated as a single obligation and such guarantees shall be deemed a single Claim against the Debtor; (v) all joint obligations of two or more Chapter 11 affiliates, and all multiple Claims against such entities on account of such joint obligations, shall be treated and allowed only as a single Claim against the Debtor; and (vi) each Claim filed in the Chapter 11 Case of the Debtor shall be deemed to be filed against the Debtor and a single obligation of the Debtor.

b. **Merger of Corporate Entities.** Consistent with the substantive consolidation of the Debtor provided by the Plan, all of the remaining Chapter 11 affiliates (including LDBS) shall be merged with each other, with ezTel being the surviving corporate entity. Such mergers shall be effectuated pursuant to the Confirmation Order and duly-filed Certificates of Merger without any further action by the stockholders or directors of any of the affiliates or the Debtor.

c. **Stock Issuance.** Purchaser A or Purchaser B will determine the stock issuance once confirmation has occurred.

2. Cancellation of Existing Securities and Agreements.

On the Effective Date, the promissory notes, share certificates and other instruments evidencing any Claim or Interest shall be deemed canceled without further act or action under any applicable agreement, law, regulation, order, or rule and the obligations of the Debtor and Chapter 11

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affiliates under such promissory notes, share certificates and other instruments governing such Claims and Interests, as the case may be, shall be discharged; provided, however, the claims that are to be paid under the terms and conditions of the Plan shall remain in full force and effect.

3. Corporate Action.

Upon entry of the Confirmation Order, the following shall be deemed authorized and approved in all respects: the substantive consolidation and mergers contemplated by the Plan. On the Effective Date, the Debtor, its Chapter 11 affiliates, officers and directors, as the case may be, shall be authorized and directed to take all necessary and appropriate actions to effectuate the transactions contemplated by the Plan and the Disclosure Statement in the name of and on behalf of the Debtor and affiliates. Once the Confirmation Order has become final and non-appealable, the shareholders of Purchaser A or Purchaser B shall, if necessary, on or before the Effective Date, elect its Board of Directors. If necessary, once this "new" Board of Directors has been elected, it shall appoint and designate such officers and other executives as necessary, to effectuate the day-to-day operations of the surviving entity and to delegate fiscal responsibility for the ongoing operations.

4. Release of Liens.

On the Effective Date, all liens against the Debtor's assets shall be released, unless otherwise specified in the Plan.

5. Term of Existing Stays.

Unless otherwise provided in the Plan, the stay in effect on the Confirmation Date pursuant to Bankruptcy Code Section 362(a) shall remain in full force and effect until the Plan is fully consummated, all claims are paid and this case closed.

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502, or (iii) the holder of a Claim based on such debt has accepted the Plan and (b) terminate all Interests and other rights held by equity security holders in the Debtors.

As of the Effective Date, except as provided in the Plan or Confirmation Order, all Entities will be precluded from asserting against the Debtors, Purchaser A or B, their respective successors or respective property, any other or further Claims, demands, debts, rights, causes of action, liabilities or equity interests based upon any act, omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date. In accordance with the foregoing, except as provided in the Plan or Confirmation Order, the Confirmation Order will be a judicial determination, as of the Effective Date, of discharge of all such Claims and other debts and liabilities against the Debtor and termination of all such interests and other rights of equity security holders in the Debtor, pursuant to Bankruptcy Code Sections 524 and 1141, and such discharge will void any judgment obtained against the Debtors at any time, to the extent that such judgment relates to a discharged Claim or terminated Interest.

7. Vesting.

Except as otherwise provided by this Plan, in accordance with Bankruptcy Code Sections 1123(a)(5) and 1141(b), on the Effective Date, title to property of the Debtor shall pass to Purchaser A or Purchaser B free and clear of all claims, interests, liens and encumbrances except as noted in the Plan.

8. Injunction.

a. To implement the discharge provisions set forth in the Plan, the Confirmation Order shall constitute and provide for a permanent injunction by the Bankruptcy Court as of the

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6. Other Provisions.

a. Assumption, Assignment and Rejection.

On the Effective Date, the Reorganized Debtor shall assume the executory contracts and unexpired leases identified in separate motions to be filed before confirmation. All other executory contracts and unexpired leases not specifically accepted herein or by prior Bankruptcy Court Order shall be deemed rejected as of the Confirmation Date.

b. Prosecution of Objections to Claims and Administrative Expense Claims by Reorganized Debtor, Treatment and Distribution.

After the Confirmation Date, the Reorganized Debtor shall have the exclusive authority, in its sole discretion, to prosecute objections to all Claims and Administrative Expense Claims. No Payments on account of Disputed Claims shall be made. The Reorganized Debtor shall make distributions on account of Disputed Claims once they are allowed, pursuant to the Plan.

c. Discharge of Claims and Termination of Interests.

Except as provided in the Plan or Confirmation Order, the rights afforded under the Plan and the treatment of Claims and Interests will be in exchange for and in complete satisfaction and release of all Claims and termination of all Interests, including any interest accrued on Claims from the Petition Date. Except as provided in the Plan or Confirmation Order, Confirmation will, as of the Effective Date: (a) discharge the Debtor from all Claims or other debts that arose before the Effective Date, and all debts of the kind specified in Bankruptcy Code Sections 502(g), 502(b) or 502(f), whether or not (i) a proof of Claim based on such debt is filed or deemed filed pursuant to Bankruptcy Code Section 501, (ii) a Claim based on such debt is allowed pursuant to Bankruptcy Code Section

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Effective Date against all entities that have held, currently hold or may hold a Claim or other debt, demand, right, cause of action or liability that is discharged or released or an Interest or other right of an equity security holder that is terminated pursuant to the terms of the Plan as to the following actions on account of any such discharged or released Claims, debts, demands, rights, causes of action or liabilities or terminated Interests or rights: (1) the commencement or continuation in any manner any action or other proceeding against any released entity, including, without limitation, Purchaser A or Purchaser B, or their property; (2) the enforcement, attachment, collection or recovery in any manner any judgment, award, decree or order against any released entity, including, without limitation, Purchaser A or Purchaser B, or their property; (3) the creation, perfection or enforcement of any lien or encumbrance against any released entity, including, without limitation, Purchaser A or Purchaser B, or their property; (4) the assertion of a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to any released entity including, without limitation, Purchaser A or Purchaser B, or their property; and (5) the commencement or continuation of any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan.

b. By accepting distributions pursuant to the Plan, each holder of an Allowed Claim receiving distributions pursuant to this Plan will be deemed to have specifically consented to the injunction set forth in the Plan.

9. Modification.

In accordance with the Bankruptcy Code, the Proponent, LDBS, may amend or modify the Plan at any time prior to the Confirmation Date without Bankruptcy Court approval. Subsequent to the Confirmation Date and upon Bankruptcy Court approval, the Proponent may modify

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or amend the Plan in accordance with Bankruptcy Code Section 1127(b), or remedy any defect or omission or reconcile any inconsistency in such manner as may be necessary to carry out the purpose and intent of the Plan.

10. Retention of Jurisdiction.

Except as otherwise expressly provided in the Plan, the Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of, and related to, the Chapter 11 Case and the Plan pursuant to, and for the purposes of, sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes:

- a. To hear and determine pending applications for the assumption, assignment or rejection of executory contracts or unexpired leases, if any, and the allowance of Claims resulting therefrom;
- b. To determine any and all adversary proceedings, applications and contested matters pending on the Effective Date;
- c. To determine any and all adversary proceedings, applications and contested matters initiated by the Debtor or its successor;
- d. To determine any and all applications initiated by the Debtors, for the sale, abandonment or other disposition of any assets of the Debtor.
- e. To ensure that distributions to holders of Allowed Claims are accomplished as provided herein;
- f. To hear and determine any timely objections to Administrative Expense Claims or to any Claims filed, including any objections to the classification of any Claim, and to allow or disallow any Disputed Claim, in whole or in part;

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confirmation, consummation, discussion, implementation or administration of the Plan, the Disclosure Statement, any contract, release, or other agreement or document created or entered into, the property to be distributed under the Plan, whether taken or omitted to be taken prior to or after the Petition Date, or any other action taken or omitted to be taken in connection with the Chapter 11 Case or the Plan, except for gross negligence or willful misconduct, and in all respects shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

12. Withdrawal of Plan.

LDBS reserves the right to revoke and withdraw the Plan as the plan of reorganization for the Chapter 11 case, at any time prior to the Confirmation Date or, if the Effective Date conditions set forth in the Plan cannot be satisfied for any reason after the Confirmation Date, at any time up to the Effective Date. If the Debtor revokes or withdraws the Plan or if the Confirmation Date or Effective does not occur, then the Plan shall be deemed null and void.

13. Binding Effect of Plan.

The provisions of the Plan and the rights, benefits and obligations of any Entity named or referred to in the Plan, including without limitation the Debtor and any holder of a Claim or Interest, shall be binding upon, and will inure to the benefit of, such entity's heirs, executors, administrators, successors, assigns, agents, officers and directors.

ARTICLE VII.

VOTING PROCEDURES AND CONFIRMATION OF THE PLAN

A. General.

To confirm the Plan, the Bankruptcy Code requires that the Bankruptcy Court make a series

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g. To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated;

h. To issue such orders in aid of execution of the Plan, to the extent authorized by Bankruptcy Code Section 1142;

i. To consider any modifications of the Plan, to cure any defects or omissions, or reconcile any inconsistency in the Plan or in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

j. To hear and determine all applications for compensation and reimbursement of expenses of professionals incurred prior to the Effective Date under Bankruptcy Code Sections 330, 331 and 503(b);

k. To hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan, including issues relating to the injunction and discharge granted thereunder;

l. To hear and determine matters concerning state, local and federal cases in accordance with Bankruptcy Code Sections 346, 505 and 1146; and

m. To enter a final decree closing the Chapter 11 Case.

11. Exculpation.

Except as provided for and reserved herein, neither the Debtor, its Chapter 11 affiliates, nor any of their respective members, officers, directors, employees, advisors, agents, or professionals shall have or incur any liability to any holder of a Claim or Interest for any act, event or omission in connection with, or arising out of, the formulation, preparation, dissemination, prosecution,

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of findings concerning the Plan, the Debtor and the Proponent, including that: (i) the Plan classifies claims and interests in a permissible manner; (ii) the Plan complies with the applicable provisions of the Bankruptcy Code; (iii) the Proponent complies with the applicable provisions of the Bankruptcy Code; (iv) the Proponent has proposed the Plan in good faith and not by any means forbidden by law; (v) the disclosure required by Bankruptcy Code Section 1125 has been made; (vi) the Plan has been accepted by the requisite votes of holders of Claims or Interests (except to the extent that cramdown is available under Bankruptcy Code Section 1129(b)); (vii) the Plan is reasonable and confirmation will likely not be followed by the liquidation or the need for further financial reorganization of the Debtor; (viii) the Plan is in the "best interests" of all holders of Claims or Interests in an impaired class by providing to such holders on account of their Claims or Interests property of a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain in a chapter 7 liquidation, unless each holder of a Claim or Interest in such class has accepted the Plan; (ix) all fees and expenses payable under 28 U.S.C. § 1930 (relating to bankruptcy fees payable to the Clerk of the Bankruptcy Court and the United States trustee) have been paid or the Plan provides for the payment of such fees on the Effective Date; and (x) the Plan provides for the continuation after the Effective Date of all retiree benefits, if any, as defined in Bankruptcy Code Section 1114, at the level established at any time prior to confirmation pursuant to Bankruptcy Code Section 1114, for the duration of the period that the Debtor has obligated itself to provide such benefits.

B. Voting Procedures.

Holders of Claims in Classes three through eight are entitled to vote on the Plan.

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VOTING ON THE PLAN BY EACH HOLDER OF A CLASS THREE THROUGH EIGHT IMPAIRED CLAIM IS IMPORTANT. IF YOU HOLD CLAIMS IN MORE THAN ONE OF THESE CLASSES, YOU MAY RECEIVE MORE THAN ONE BALLOT. YOU SHOULD COMPLETE, SIGN, AND RETURN EACH BALLOT THAT YOU RECEIVE.

PLEASE FOLLOW THE INSTRUCTIONS ON THE ENCLOSED BALLOT CAREFULLY.

TO BE COUNTED, YOUR BALLOT MUST BE ACTUALLY RECEIVED BY _____ M., CENTRAL DAYLIGHT SAVINGS TIME, ON _____, 2006, AT THE U.S. BANKRUPTCY COURT, NORTHERN DISTRICT OF MISSISSIPPI, AT COCHRAN U.S. BANKRUPTCY COURTHOUSE, 703 HIGHWAY 145 NORTH, ABERDEEN, MS 39730. IT IS OF THE UTMOST IMPORTANCE TO THE DEBTOR THAT YOU VOTE PROMPTLY TO ACCEPT THE PLAN. THE DEBTOR'S MANAGEMENT SUPPORTS THE PLAN AND STRONGLY ENCOURAGES YOU TO VOTE TO ACCEPT THE PLAN.

VOTES CANNOT BE TRANSMITTED ORALLY OR BY FAX. ACCORDINGLY, YOU ARE URGED TO RETURN YOUR SIGNED AND COMPLETED BALLOT PROMPTLY.

IF ANY OF THE ELIGIBLE CLASSES OF HOLDERS OF IMPAIRED CLAIMS OF ANY DEBTOR VOTE TO REJECT THE PLAN, (i) LDBS MAY SEEK TO SATISFY THE REQUIREMENTS FOR CONFIRMATION OF THE PLAN UNDER THE CRAMDOWN PROVISIONS OF BANKRUPTCY CODE SECTION 1129(b) AND, IF REQUIRED, MAY FURTHER AMEND THE PLAN TO CONFORM TO THE STANDARDS OF SUCH SECTION OR (ii) THE PLAN MAY BE MODIFIED OR WITHDRAWN IN ITS ENTIRETY.

IF YOU HAVE A CLAIM IN CLASS _____, OR _____, BUT DID NOT RECEIVE A BALLOT, RECEIVED A DAMAGED BALLOT, OR LOST YOUR BALLOT, OR IF YOU HAVE ANY QUESTIONS CONCERNING THE DISCLOSURE STATEMENT OR THE PLAN, PLEASE CALL HELEN TRAMMELL OF HARRIS & GENO, PLLC AT (601) 427-0048.

C. Confirmation Hearing.

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing to determine whether LDBS, as the Proponent, has fulfilled the confirmation requirements of Bankruptcy Code Section 1129. The confirmation hearing has been scheduled for _____

The Proponent believes that the treatment under the Plan of the holders of Claims and Interests in Classes three through eight will satisfy the "fair and equitable" test because no junior classes will receive or retain any property until those classes are paid in full. In addition, the Proponent does not believe that the Plan unfairly discriminates against any class that may not accept or otherwise consent to the Plan.

Subject to the conditions set forth in the Plan, a determination by the Bankruptcy Court that the Plan is not confirmable pursuant to Bankruptcy Code Section 1129 will not limit or affect LDBS' ability to modify the Plan to satisfy the provisions of Bankruptcy Code Section 1129(b).

F. Best Interests Test: Liquidation Analysis.

Notwithstanding acceptance of the Plan by each impaired class, to confirm the Plan the Bankruptcy Court must determine that the Plan is in the best interest of each holder of a Claim or Interest in any such impaired class who has not voted to accept the Plan. Accordingly, if an impaired class does not unanimously accept the Plan, the "best interests" test requires that the Bankruptcy Court find that the Plan provides to each member of such impaired class a recovery on account of the member's Claim or Interest that has a value, as of the Effective Date, at least equal to the value of the distribution that each such member would receive if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code on such date.

To estimate what the members of each impaired class of Claims or Interests would receive if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code, the Bankruptcy Court must first determine the aggregate dollar amount that would be available if the Chapter 11 Case was converted to a Chapter 7 case under the Bankruptcy Code and the Debtor's assets were liquidated by a Chapter 7

_____ at _____ m., Central Daylight Savings Time, before The Honorable David W. Houston, III, United States Bankruptcy Court Judge, Northern District of Mississippi. The Confirmation hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of the adjourned confirmation hearing date made at the confirmation hearing.

D. Confirmation.

As noted above, at the confirmation hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of Bankruptcy Code Section 1129 are met. Among the requirements for confirmation are that the Plan: (i) is accepted by the requisite holders of impaired classes of Claims of the Debtor or, if not so accepted, is "fair and equitable" and "does not discriminate unfairly" as to the nonaccepting class or classes; (ii) is in the "best interests" of each holder of a Claim or Interests in each impaired class under the Plan for the Debtor, (iii) is feasible; and (iv) complies with the applicable provisions of the Bankruptcy Code.

E. Acceptance or Cramdown.

LDBS believes that, if necessary, the Plan may be crammed down over the dissent of a secured class of Claims, in view of the treatment proposed for such classes. Cramdown of certain classes of Secured Claims, if necessary, may require amendment of the Plan. If necessary and appropriate, LDBS intends to amend the Plan to permit the cramdown of dissenting classes of Claims (and so has reserved this right in the Plan thereof). There can be no assurance, however, that the "cramdown" requirements of the Bankruptcy Code Section 1129 would be satisfied even if the Plan treatment provisions were amended or withdrawn as to one or more Classes.

trustee (the "Liquidation Value"). The Liquidation Value of the Debtor would consist of the net proceeds from the disposition of the assets of the Debtor, augmented by any Cash held by the Debtor.

The Liquidation Value available to creditors holding General Unsecured Claims would be reduced by, among other things: (i) the Claims of secured creditors, to the extent of the value of their collateral; (ii) the costs, fees, and expenses of the liquidation, as well as other Administrative Expense Claims incurred in connection with the Debtor's Chapter 7 case, including tax liabilities in respect of gain arising from the disposition of assets in the liquidation; (iii) unpaid Administrative Expense Claims incurred in the Chapter 11 Case prior to conversion to chapter 7; and (iv) Priority Claims and Priority Tax Claims. The Debtor's costs of liquidation in a chapter 7 case thus would include the compensation of trustees, counsel, and other professionals retained by such trustees, asset disposition expenses, applicable taxes, liquidation costs, Claims arising from the terminated operation of the Debtor during the pendency of the Chapter 7 case, and all unpaid Administrative Claims incurred by the Debtor during the Chapter 11 Case. In addition, the liquidation itself would trigger certain Administrative Expense Claims, Priority Claims, and other Claims, such as Claims for severance pay and damages Claims in respect of executory contracts or unexpired leases entered into or assumed in the Chapter 11 Case, and would likely accelerate the payment of other Priority Claims, such as certain deferred income tax obligations, that would otherwise be payable in the ordinary course of business or on a deferred basis under the Plan. These Claims are required to be paid in full out of the net liquidation proceeds, after payment of Secured Claims, before the balance would be made available to pay General Unsecured Claims or to make any distribution in respect of Interests.

Moreover, if the Debtor's assets were liquidated, the existing secured creditors would be placed in a position of having to liquidate collateral of a significant nature and kind, in a market location and in a market condition that would be a difficult and uncertain process due to, in large part, the lack of a market for the used medical equipment that the Debtor owns, and the somewhat uncertain future this kind of equipment has in light of ever changing medicare eligibility payment requirements.

Most importantly, however, in considering a liquidation scenario, is the loss of the income stream that LDBS would suffer if the case is converted to a Chapter 7 or if some other kind of liquidation is employed. The Debtor's current income stream would be lost, and customers whose services are terminated would, in all likelihood, assert claims against ezTel for the sudden, interrupted lack of service and support and not pay current bills.

Clearly, the best interests of creditors will be served in this Chapter 11 case by confirming the Plan for all the reasons previously set forth. Some of the reasons, stated in a summary fashion, are:

- A. the Debtor's current stream of income will be maintained by Purchaser A or Purchaser B;
- B. the Debtor will maintain and care for its assets and equipment, thereby not only maintaining the value of this equipment but also using it to generate a stream of income to fund the Plan;
- C. Meaningful marketing efforts can only increase business;
- D. Taxes will be paid;
- E. the Debtor's accounting systems, books, records and information systems will continue to be maintained in the appropriate manner by Susan Walker.

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- M. as stated, the Plan avoids a forced liquidation by the Debtor's sole secured creditor that would result (in the view of Debtor's management) of recoveries that are at least 65% to 80% lower than the recoveries those entities would receive under the Plan.

A liquidation analysis of a "telecom" company is a difficult task, since most telecom companies (ezTel and LDBS included) do not have significant long term contractual relationships but rather supply their customers (at least as the current customer base exists) on a month to month basis with goods and services. Thus, analysis of the liquidation value of the Debtor's accounts receivable means that liquidation would probably produce "only" yields of \$300,000.00 to \$400,000.00. The Debtor has little equipment that would have any significant value in a liquidation setting. At most, the Debtor believes its equipment would be liquidated for no more than \$75,000.00 to \$85,000.00, and that is an optimistic amount. The remaining value of the Debtor's business actually consists of the relationships it has developed with its providers, its customers and its potential customers, together with the relationships that exist with its commissioned agents and Mr. Loehr - the liquidation value of all of those significant assets is zero.

G. Feasibility.

Bankruptcy Code Section 1129(a)(11) requires that confirmation not be likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the debtor (unless such liquidation or reorganization is proposed in the Plan). In any chapter 11 case, feasibility of the Plan of Reorganization is somewhat speculative.

In this particular case, feasibility is less speculative than in most "internal" reorganizations

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Purchaser A or Purchaser B will oversee the need to expand (if necessary) its accounting systems, books and records and information systems;

- F. administrative claims, fees and expenses will be paid in full;
- G. the Debtor will be in a position, pre and post confirmation, to aggressively pursue claims;
- H. the Debtor will be able to allow Purchaser A or Purchaser B continue to improve the efficiency of its office staff and administration, to continue to work closely with its commissioned agents to improve communications between the "home" office and the agents;
- I. the Plan provides a sensible, economical vehicle for the conclusion of the administration of this Chapter 11 case, and for the winding up of this estate, post-confirmation, leaving no open issues to be settled and determined by a Debtor or Trustee with no assets, no employees and no support staff;
- J. the Plan preserves a significant number of jobs and preserves the tax bases that are consistent with a functioning, going concern;
- K. the Plan allows Purchaser A or Purchaser B to continue to purchase a significant amount of goods and services from vendors, manufacturers, suppliers and professionals, thereby further serving the public good;
- L. the Plan will allow Purchaser A or Purchaser B to continue to preserve its relationship with its customers, to provide uninterrupted, stable support for its existing customers and for new customers that it can service in the future;

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because, feasibility does not depend, in large part, upon the Debtor's operations but upon Purchaser A or Purchaser B. The Debtor is convinced that Purchaser A (and to a somewhat lesser extent Purchaser B) has, or will have, the funds available to it to consummate the contemplated transaction and to allow the plan to go effective.

As a result, in reality, feasibility in this case will have to be outcome determinative. If Purchaser A or Purchaser B funds the required cash at closing, most of the plan will be feasible and, so long as Purchaser A or Purchaser B continue to fund ongoing operational cost and the debts assumed under the Plan, then the plan will also be feasible going forward.

H. Compliance With Applicable Provisions of the Bankruptcy Code.

Bankruptcy Code Section 1129(a)(1) requires that the Plan comply with the applicable provisions of the Bankruptcy Code. LDBS has considered various legal issues, including classification and treatment, in the development of the Plan, and believes that the Plan complies with all provisions of the Bankruptcy Code.

I. Alternatives to Confirmation and Consummation of the Plan.

As noted, LDBS has evaluated (and actually has attempted to consummate) numerous alternatives to the Plan, including an internal reorganization. None of LDBS's other efforts have produced viable reorganizations or reorganization scenarios.

LDBS has engaged in a number of negotiations, discussions and exchanges of ideas, but it is convinced no other viable alternatives will be forthcoming that equal, or exceed the "deal" that are on the table. As a result, LDBS has made the determination that its only viable course of action it can take is for a sale of assets to occur.

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Thus, LDBS respectfully submits that the only viable course of action for it to take is its pending Plan of Reorganization.

ARTICLE VIII.

TAX CONSEQUENCES

The tax consequences resulting from confirmation of the Plan can vary greatly. Significant tax consequences may occur as a result of confirmation of the Plan under the Internal Revenue Code and pursuant to state, local and foreign tax statutes. No specific tax consequences to any creditor is represented, implied, or warranted. Each holder of a Claim or Interest should seek professional tax advice, including the evaluation of recently enacted and pending legislation, because recent changes in taxation are complex and lack authoritative interpretation.

LDBS ASSUMES NO RESPONSIBILITY FOR THE TAX EFFECT THAT CONSUMMATION OF THE PLAN WILL HAVE ON ANY GIVEN HOLDER OF A CLAIM OR INTEREST. HOLDERS OF CLAIMS AND INTERESTS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN TO THEIR INDIVIDUAL SITUATIONS.

ARTICLE IX.

RECOMMENDATION AND CONCLUSION

Although this Disclosure Statement provides information regarding the assets, liabilities and general financial position of the Debtor and the potential benefits that might accrue to holders of Claims against the Debtor and the Debtor's employees and business community upon confirmation of the Plan, this Disclosure Statement neither guarantees nor purports to represent the amount of percentages that would be realized on certain Allowed Claims. Nor does this Disclosure Statement ensure that the Debtor's operations and work force will remain unchanged under the Plan. Nonetheless, despite this

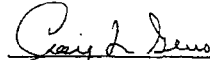
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CERTIFICATE OF SERVICE

I, Craig M. Geno, do hereby certify that I have this date, via electronic filing transmission and/or U. S. Mail, postage prepaid, a true and correct copy of the above and foregoing to:

Sammye S. Tharp, Esq.
Office of the United States Trustee
Suite 706, A. H. McCoy Federal Building
100 West Capitol Street
Jackson, MS 39269

THIS the 23rd day of March, 2006.


Craig M. Geno

uncertainty, which is inherent in any plan, LDBS believes that the Plan will provide certain holders of Claims with an opportunity to receive greater recoveries and benefits than any other alternative. LDBS and the Debtor's management also believe that the Plan presents the best vehicle for preserving the Debtor's business for the benefit of its employees and business community.

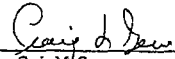
Accordingly, LDBS and the Debtor's management urge all eligible holders of Claims to vote to ACCEPT the Plan, and to duly complete and return their ballots such that they will be ACTUALLY RECEIVED by the Clerk of the Bankruptcy Court on or before _____m. Central Daylight Savings Time on _____, 2006.

THIS, the 23rd day of March, 2006, at Ridgeland, Mississippi.

Respectfully submitted,

LONG DISTANCE BILLING SERVICES, INC.

By Its Attorneys
HARRIS & GENO, PLLC

By: 
Craig M. Geno

OF COUNSEL:

Craig M. Geno - MSB No. 4973
Jeffrey K. Tyree - MSB No. 9049
Melanie T. Vardaman - MSB No. 100392
HARRIS & GENO, PLLC
587 Highland Colony Parkway (39157)
Post Office Box 3380
Ridgeland, MS 39158-3380
Telephone No.: 601-427-0048
Facsimile No.: 601-427-0050
File:///C:/Users/ldbs/Desktop/Plan, D. Statement/Disclosure Statement.rtf

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IN THE UNITED STATES BANKRUPTCY COURT
FOR NORTHERN DISTRICT OF MISSISSIPPI

IN RE: LONG DISTANCE BILLING SERVICES, INC.
Debtor

CHAPTER 11
CASE NO. 05-11168

DISCLOSURE STATEMENT REGARDING THE PLAN OF REORGANIZATION
PROPOSED BY LONG DISTANCE BILLING SERVICES, INC.

EXHIBIT "A"

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF MISSISSIPPI

In the Matter of § Case No. 05-11168
LONG DISTANCE BILLING SERVICE, INC., § Chapter 11
§
Debtor. §

STIPULATED ORDER PERMITTING USE OF CASH COLLATERAL

The motion of NS8 Corporation ("NS8") for entry of an order lifting the automatic stay to allow NS8 to exercise its asserted lien rights in and to all collateral in which NS8 has a security interest, and any proceeds generated by the sale of such collateral, including cash and cash equivalents that constitute cash collateral (collectively, the "Property"), owned by debtor Long Distance Billing Service, Inc. (the "Debtor"), having been filed on July 5, 2005. NS8 and the Debtor have agreed on the terms and conditions of the Debtor's continued use of NS8's cash collateral as set forth herein.

THE COURT FINDS THAT:

A. The Debtor has stipulated and represents to the Court that: (1) the Debtor executed a Promissory Note dated as of February 3, 2005 (the "Note") pursuant to which NS8 provided to the Debtor a \$200,000 term loan on February 10, 2005, and all obligations under the Note were secured pursuant to a Security Agreement dated as of February 3, 2005 (the "Security Agreement"), the terms of which granted a security interest (the "Prepetition Liens") in, among other things, all of the Debtor's accounts, chattel paper, equipment, general intangibles, instruments, inventory and all proceeds thereof (the "Prepetition Collateral"); (2) as of the Petition Date, pursuant to the Note the Debtor was liable to NS8 in the amount of not less than \$201,266.67 (the "Prepetition Debt"), consisting of the entire principal amount of the loan plus interest in the amount of \$1,266.67, which amount is secured by the liens granted under the Security Agreement; (3) the Prepetition Debt is not subject to offset, defense nor counterclaim and no portion of the Prepetition Debt is subject to avoidance or subordination pursuant to the

deposit accounts, money, negotiable instruments, securities and general intangibles (but not including claims or causes of action arising under Section 544, 547, 548 and 549 of the Bankruptcy Code), and all products and proceeds of the foregoing. The Replacement Liens shall be subject to valid, properly perfected and enforceable liens existing on the Petition Date.

3. Nothing herein shall be construed as NS8's consent to 11 U.S.C. § 506(c) claims against NS8 or the Prepetition Collateral.

4. This Order is effective as of the date of its entry. No modification of this Order shall deprive NS8 of adequate protection of its interest in the Debtor's property to the extent such protection is required by the Bankruptcy Code and other applicable law.

5. The Prepetition Liens shall be subject only to the Permitted Liens. The Note and Security Agreement executed by the Debtor constitute the legal, valid and binding obligations of the Debtor. As of the Petition Date, pursuant to the Note the Debtor was liable to NS8 in the amount of not less than \$201,266.67, consisting of the entire principal amount of the loan plus interest in the amount of \$1,266.67, which amount is secured by the liens granted under the Security Agreement. The Prepetition Debt is not subject to offset, defense nor counterclaim and no portion of the Prepetition Debt is subject to avoidance or subordination pursuant to the Bankruptcy Code or nonapplicable bankruptcy law. The Prepetition Liens are, subject only to Permitted Liens, valid, binding, enforceable and properly perfected first priority liens, which are not subject to any claims, counterclaims, defenses, setoff recoupment or deduction, and which are otherwise unavoidable and not subject to avoidance or subordination pursuant to the Bankruptcy Code or nonapplicable bankruptcy law. The Debtor has waived and released any and all claims and causes of action they may assert against NS8, including any rights to challenge the Debtor's obligations thereunder. For purposes of this Order, "Permitted Liens" shall mean: (a) valid third-party liens existing as of the Petition Date that are not subject to avoidance or otherwise subordinated under 11 U.S.C. § 510, and (b) the claim of the United States Trustee for the payment of fees under 28 U.S.C. § 1930(a).

Bankruptcy Code or nonapplicable bankruptcy law; (4) the Prepetition Liens are, subject only to Permitted Liens, valid, binding, enforceable and properly perfected first priority liens, which are not subject to any claims, counterclaims, defenses, setoff recoupment or deduction, and which are otherwise unavoidable and not subject to avoidance or subordination pursuant to the Bankruptcy Code or nonapplicable bankruptcy law.

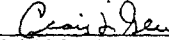
IT IS HEREBY ORDERED:

1. NS8 consents to the Debtor's prior use of cash collateral from the Petition Date to the date hereof (the "Pre-Order Usage"). NS8 consents to the Debtor's use of cash collateral from the date hereof to August 31, 2005 (the "Expiration Date") to pay its ordinary and necessary business expenses as and when such expenses become due and payable; provided, however, that the Debtor shall not use NS8's cash collateral to pay fees or expenses of professionals or non-ordinary course business expenses. Notwithstanding anything to the contrary in this Order, the Debtor's authority to use cash collateral pursuant to this Order shall terminate immediately and automatically upon (i) the Expiration Date, (ii) the conversion of the Chapter 11 case to a Chapter 7 case or appointment of a Trustee, (iii) the entry of any order which limits the validity or priority of, or subordinates, any of the NS8's liens and security interests, and (iv) upon the third (3rd) business day following the delivery of written notice to the Debtor by NS8 of any breach or default by the Debtor of the terms and provision of this Order, unless the Debtor has cured such breach or default within such three (3) business day period.


2. In addition to the existing rights and interests of NS8 in cash collateral and for the purposes of attempting to provide adequate protection for the interests of NS8 in the Prepetition Collateral, including any diminution in value which has resulted from the Pre-Order Usage, NS8 is hereby granted, as security to the extent of the Pre-Order Usage and any diminution in value of the value of NS8 in the Prepetition Collateral, a valid perfected and enforceable security interest (the "Replacement Liens") in and upon all of the assets of the Debtor, both tangible and intangible, real and personal, including without limitation, accounts, inventory, machinery and equipment, real property, chattel paper, intellectual property, licenses,

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Interim Order Prepared and Consented to by:


Craig M. Geno, Esq.
Harris & Geno, PLLC
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Ridgeland, Mississippi 39157
Phone: 601-427-0048
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Attorneys for Debtor


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Glankler Brown, PLLC
1700 One Commerce Square
Memphis, TN 38103
Phone: 901-525-1322
Fax: 901-525-2389

Attorneys for NS8 Corporation

CASE NAME: Long Distance Billing Services, Inc

CASE NUMBER: 05-11168

COMPARATIVE BALANCE SHEET

ASSETS:	Filing Date	Month	Month	Month	Month	Month	Month
		8/31/05	9/30/05	10/31/05	11/30/05	12/31/05	
CURRENT ASSETS:							
Cash		\$45,507	\$50,062	\$46,447	\$39,905	\$34,592	
Accounts Receivable, Net							
Inventory, at lower of cost or market							
Prepaid expenses & deposits							
Other							
TOTAL CURRENT ASSETS							
PROPERTY, PLANT & EQUIPMENT							
Less accumulated depreciation							
NET PROPERTY, PLANT & EQUIPMENT							
OTHER ASSETS							
TOTAL OTHER ASSETS							
TOTAL ASSETS		\$45,507	\$50,062	\$46,447	\$39,905	\$34,592	

Assets are carried at historical cost on debtor's accounting records and debtor elects to show them as such on the monthly reports, note the change above and include remarks on FORM 2-F (Narrative). All subsequent reports must then carry these assets at that value. Do not use historical cost one month and fair market value the next.

IN THE UNITED STATES BANKRUPTCY COURT
FOR NORTHERN DISTRICT OF MISSISSIPPI

CHAPTER 11
CASE NO. 05-11168

IN RE: LONG DISTANCE BILLING SERVICES, INC.
Debtor

DISCLOSURE STATEMENT REGARDING THE PLAN OF REORGANIZATION
PROPOSED BY LONG DISTANCE BILLING SERVICES, INC.

EXHIBIT "B"

CASE NAME: Long Distance Billing Services, Inc

CASE NUMBER: 05-11168

COMPARATIVE BALANCE SHEET

LIABILITIES:	Filing Date	Month	Month	Month	Month	Month	Month
		8/31/05	9/30/05	10/31/05	11/30/05	12/31/05	
POST-PETITION LIABILITIES:							
Taxes payable (Form 2-E, pg. 1 of 3)							
Accounts payable (Form 2-E, pg. 1 of 3)							
Other:							
TOTAL POST-PETITION LIABILITIES:							
PRE-PETITION LIABILITIES:							
Notes payable - secured		200,000	200,000	125,000	75,000	25,000	
Priority debt							
Unsecured debt							
Other							
TOTAL LIABILITIES		200,000	200,000	125,000	75,000	25,000	
EQUITY (DEFICIT)							
REFERRED STOCK							
COMMON STOCK							
RETAINED EARNINGS:							
Through filing date		(198,695)	(198,695)	(198,695)	(198,695)	(198,695)	
Post filing date		(44,205)	(48,760)	12,145	163,607	208,290	
TOTAL EQUITY (NET WORTH)		(154,495)	(149,385)	(78,550)	(25,095)	95,922	
TOTAL LIABILITIES & EQUITY		\$45,507	\$50,062	\$46,447	\$39,905	\$34,592	

IN THE UNITED STATES BANKRUPTCY COURT
FOR NORTHERN DISTRICT OF MISSISSIPPI

CHAPTER 11
CASE NO. 05-11168

IN RE: LONG DISTANCE BILLING SERVICES, INC.
Debtor

DISCLOSURE STATEMENT REGARDING THE PLAN OF REORGANIZATION
PROPOSED BY LONG DISTANCE BILLING SERVICES, INC.

EXHIBIT "C"